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SUPPLEMENT TO 25X1

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ILLEGIB

USSR-controlled Siemens-Schuckert plant, Vienna II, Engertstrasse 150, USSR
plant to take over administration of this plant on 1 January 1950 to the Aus-
trian directors. TUPP believes the plant may be placed either under super-
vision of the Austrian Government or the parent Siemens-Schuckert firm.
Allegedly quoting an address recently given by a Soviet director of the
Engertstrasse plant, TUPP stated that the Austrian directors are to assume
responsibility for production planning for 1950 as well as the handling of
all local sales and purchases. The two Soviet directors, now in charge of
the Engertstrasse plant, are scheduled to return to the Soviet Union early
in 1950 and no replacements are expected.

2. USIA will no longer place orders directly with the Engerthstrasse plant, but all USIA orders which have not been completed by the first of next year will be delivered on a priority basis. After 1 January 1980, the Soviet Commercial Delegation in Vienna will submit all Soviet and Satellite orders to the Engerthstrasse plant on a contractual basis; these orders will also receive priority handling.
3. Although USIA may relinquish its supervisory control of the Engerthstrasse plant, the Soviets will still maintain financial control through the Soviet Military Bank. The Soviet Military Bank will continue to finance all of the Engerthstrasse plant's domestic transactions, and reimbursement for purchases made by the Soviet Commercial Delegation will be handled through the bank.

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Comment: These developments may be the immediate result of competition from non-USIA electrical firms which has increased as a result of recent price reductions made by the non-USIA Siemens-Schuckert Nibelungengasse plant. It may be that the Soviets have decided to return administration of the Engerthstrasse plant to the Austrians, believing that non-USIA Austrian electrical firms may be reluctant to wage a price war with another Austrian firm and if so the Engerthstrasse plant may be able to market a high priced product. It is also possible that Director TUPP has planted a rumor fabricated by the Soviets to discourage serious competition from the non-USIA Siemens-Schuckert Nibelungengasse plant and thereby forestall bankruptcy of the USIA-controlled Engerthstrasse plant.

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[illegible]

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letter of 16 October 1978 from the
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Archivist of the United States.

Next Review Date: 2008

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NO ~~CHANGE~~ in CLASS.

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DOA Memo.

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